



misconduct), whether in contract or in tort, shall be limited to a credit for the actual cost of the services or functions not performed or improperly performed.

- 6.7 Neither party shall have any liability whatsoever to or through the other for any indirect, special, or consequential damages, including, but not limited to loss of anticipated profits or revenue or other economic loss in connection with or arising from anything said, omitted or done hereunder, even if the other party has been advised of the possibility of such damages.
- 6.8 Ameritech is not liable for the accuracy and content of CNA data Exchange Carrier delivers to Ameritech. Rather, Exchange Carrier is responsible for the accuracy and content of such data and Ameritech is the custodian of such data and is responsible for maintaining the accuracy and content of that data as delivered.
- 6.9 ~~Notwithstanding Ameritech's agreement to indemnify contained herein, under no circumstances shall Ameritech incur any liability, direct or indirect, to any Person who dials or attempts to dial the digits "8-1-1" or to any other Person on whose behalf a 8-1-1 call is made. On or before November 30, 1996, the Parties shall submit to the Commission an agreed upon provision establishing requirements relating to creating limitations of liability in TCG's tariffs and contracts. In the absence of such agreement, each Party shall submit to the Commission its version of the appropriate language.~~
- 6.10 These remedies shall be exclusive of all other remedies against Ameritech or Exchange Carrier, their affiliates, subsidiaries or parent corporation (including their directors, officers, employees or agents).

## 7.0 Record Retention

Except as otherwise required by law or agreed to in writing, each Party shall maintain all books, records, contracts, instruments, data and other documents, including all accounting records, and any other information that may be stored on any computer medium (collectively, the "Records"), relating to the performance of its obligations under this Agreement for a period which shall be the greater of: (i) twelve (12) months, (except for mechanized records which shall be kept for two (2) months) or (ii) each party's existing corporate records

STATE OF MICHIGAN  
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the Matter of the Application )  
of AMERITECH COMMUNICATIONS, INC. )  
for a License to provide Basic Local )  
Exchange Service to Ameritech Michigan and )  
GTE North, Inc., Exchanges in Michigan. )  
\_\_\_\_\_ )

Case No. U-11053

TESTIMONY OF  
WILLIAM J. CELIO, P.E.  
ON BEHALF OF  
THE MICHIGAN PUBLIC SERVICE COMMISSION STAFF

PART II  
DIRECT TESTIMONY

1 Q. What is the purpose of your testimony in this case?

2 A. I will be reviewing Ameritech Michigan Inc.'s (ACI) application for a license to  
3 provide basic local exchange service in the Michigan exchanges of Ameritech Michigan  
4 and GTE North and then presenting a number of options for Commission  
5 consideration.

6 Q. Why will you be presenting a number of options?

7 A. After my participation in the previous application by ACI, the passage of 1995 Public  
8 Act 216 in Michigan and the passage of the federal Telecommunications Act of 1996, I  
9 believe the issue of licensing ACI is not a simple matter. A number of options appear  
10 to be available to facilitate Ameritech's participation and contribution to the  
11 introduction of additional competition in the telecommunications markets in Michigan.

12 Q. Why do you believe this is not a simple matter?

13 A. I have concern about the timing of this application and Ameritech's entry into the  
14 InterLATA long distance market within the State of Michigan. It seems to me that  
15 ACI's sole justification for a license to provide basic local exchange service in  
16 Michigan is the company's perception that customers want one stop telecommunications  
17 shopping.

18 Q. What makes you say that?

19 A. ACI witness Dr. David Teese begins a discussion (T-145) in which he lauds the  
20 benefits of integrated service offerings consisting of local, long distance and other ACI

1 services. Witness Mr. Ryan Julian (T-553) concurs with Dr. Teese's belief that one  
2 stop shopping is beneficial. Mr. Steve Nowick, the president of ACI, indicated in a  
3 press release issued on April 11, 1996 Exhibit S-\_\_ (WJC-1) that he believes one stop  
4 shopping for local and long distance service is one of ACI customer's needs.

5 Q. Do you disagree that there are competitive benefits associated with the one stop  
6 shopping for telecommunications services?

7 A. No

8 Q. Why then do you have concern with this application?

9 A. First, one stop shopping does not appear to be a basis for issuing a license. Act 179, as  
10 amended, establishes other criteria. Second, should the Commission issue ACI a  
11 license to provide basic local exchange service in the service territory described in the  
12 application, the company's holy grail of one stop shopping is still not within its grasp.  
13 ACI remains barred from providing interLATA service until Ameritech complies with  
14 certain provisions of the federal Telecommunications Act of 1996.

15 Q. If that is the case, why not just wait for Ameritech's compliance. Then move on?

16 A. With compliance comes Ameritech's ability to jointly market local and toll service.  
17 This raises the question of whether ACI even needs to provide basic local exchange  
18 service to offer one stop shopping. The proposed order which was pending before the  
19 federal court when the federal Telecommunications Act was enacted required that both  
20 local and toll services be provided by the same, separate subsidiary if they were to be

1 jointly marketed. However, a similar requirement was not included in the federal  
2 Telecommunications Act of 1996. There appears to be no requirement in either state or  
3 federal law which would prohibit Ameritech from jointly marketing the toll services of  
4 ACI with the local service of Ameritech Michigan.

5 Q. Since Ameritech must offer interLATA toll service through a separate subsidiary,  
6 would you consider jointly marketing Ameritech Michigan local service and ACI toll  
7 service as a bit confusing to customers or potential customers?

8 A. On the contrary. In my opinion, customer confusion may result if two subsidiaries of  
9 the same corporation are permitted to offer the same local service. Customers might  
10 misunderstand that Ameritech Communications as basic local exchange provider is  
11 different from Ameritech Michigan as basic local exchange provider. Any confusion  
12 which might result given the other alternative (i.e., ACI provides the toll and  
13 Ameritech Michigan provides the local) would at most be short lived anyhow in my  
14 opinion.

15 Q. Why do you believe this to be the case?

16 A. Because the separate subsidiary requirement for the provision of toll services can go  
17 away as early as within three years. It appears Ameritech Michigan could then offer  
18 both local and toll services anyhow.

19 Q. What standards must ACI meet to have this Commission approve the company's  
20 application for a license?

1 A. The Commission must review this record to determine if ACI has sufficient financial,  
2 technical and managerial resources to provide service throughout its proposed service  
3 territory. Next the Commission must assess the impact of granting the license on the  
4 public interest. In making this review, the Commission must be cognizant of the  
5 requirements of Act 179 Section 203(3). This section indicates "The burden of proving  
6 a case filed under this act shall be with the party filing the application or complaint"

7 Q. What evidence exists that ACI has the necessary financial resources?

8 A. ACI relies on the testimony of one witness, Mr. Patrick Earley, to identify the financial  
9 resources available to ACI. That discussion begins on T-396 and continues through  
10 404. This segment of the record is the witness' direct testimony. Cross examination,  
11 redirect and recross examination are contained on pages T-405 through T-468. The  
12 witness offered several exhibits which were financial statements of Ameritech.  
13 However since the witness was not conversant with the exhibits, they were not made a  
14 part of the record (T-475). At this time the Commission has only this record to justify  
15 the financial resources available to ACI. This record is the direct testimony of one  
16 witness, the associated cross examination an organization chart of ACI (A-17) and ACI  
17 officer resumes (A-18). Further, this record also shows Mr. Earley did not know,  
18 within an order of magnitude, the financial resources needed to roll out basic local  
19 exchange service to the exchanges listed in the application (T-419). Finally ACI has an  
20 annual financial statement, but elected not to provide it in this proceeding (T-427).

1 Q. What evidence exists that ACI has the necessary managerial resources?

2 A. This record and the discovery phase of the case presents the Commission with a  
3 dilemma. Much of the business plan for ACI appears to lack any detail. Although  
4 witnesses Julian and Earley identify the general categories of proposed services and the  
5 current work force. Exhibit's S-31, 33 and 35 show the company has not made  
6 projections concerning the magnitude of discounts needed to be profitable on a reseller  
7 basis. Further, no pricing plans have been finalized. Also Mr. Earley testified he did  
8 not know how much staffing would be required to provide service consistent with  
9 ACI's application.

10 In addition the complexity of the Ameritech Corporation and the almost identical unit  
11 names presents some uncertainty about who sells what services to whom and on whose  
12 behalf.

13 The Commission must determine whether this ambiguity and lack of specificity is the  
14 result of a poorly prepared presentation or a plan to release a minimum amount of  
15 information hoping it will be enough to satisfy regulators.

16 Q. What evidence exists that ACI has the necessary technical resources?

17 A. ACI intends to offer basic local exchange service as a reseller and facilities based  
18 provider. The company is not exactly sure when or where it would opt to construct  
19 facilities. This is pointed out by ACI witness Ms. Diana Cantu on T-484 "...but at  
20 some point, ACI may also provide local exchange services using its own facilities."



1 ACI will be utilizing resold long distance services and concludes that the provision of  
2 resold local services requires no additional technical knowledge. In addition, the  
3 company believes as pointed out on T-484 the technical knowledge and resources  
4 needed to resell are complimentary to the construction of facilities.

5 Q. What is the Staff's recommendation related to the financial, managerial and technical  
6 resources of ACI and the company's ability to provide service to customers requesting  
7 such service?

8 A. Staff believes this matter is quite subjective. Unlike Case No. U-10934, ACI's last  
9 attempt to get a license, the company has supplied more information related to these  
10 factors. Staff believes that Ameritech Corporation is a major player in the  
11 telecommunications market place. Based on publicly available financial documents  
12 Ameritech Corporation has proven it is able to produce profits at levels unheard of in  
13 the previously regulated monopoly telecommunications environment. In many cases  
14 Ameritech is offering cutting edge technology to its "high end" or "communications  
15 intensive" customers. It seems likely that Ameritech Corporation could infuse ACI  
16 with the corporate resources necessary to satisfy Michigan's licensing requirements.  
17 The Commission however must determine if the record in this case clearly illustrates  
18 that fact.

19 Q. The next matter to be dealt with in this application is the impact granting the license  
20 would have on the public interest. Would you discuss the public interest concerns

1           which the Commission must deal with in this application?

2       A.     The Commission is not required to determine whether granting this license is in the  
3           public interest or enhances the public interest. The Commission must only determine  
4           that granting a license to ACI is not contrary to the public interest. At first, the  
5           concept of ACI competing with Ameritech Michigan for local service does not even  
6           pass a regulatory "red face test". The thought which immediately comes to mind is,  
7           "How can a major, dominant company competing with itself do any thing but harm the  
8           public interest."

9           The next thing that comes to mind is whether the Commission should issue a license to  
10          ACI when one could argue ACI does not need it to provide one stop shopping. As I  
11          stated earlier, Ameritech can jointly market local and toll once it satisfies the  
12          "competitive checklist" and enters the interLATA toll market. Further in three years  
13          the requirement for a separate subsidiary can be removed obviating the need for dual  
14          licensing of ACI and Ameritech Michigan. The Commission is faced with determining  
15          whether granting ACI a license is contrary to the public interest because ACI made a  
16          corporate decision to want a license rather than any requirement that it needs a license.

17       Q.     Is there a possibility that everyone would be worse off, therefore the public interest  
18           harmed if ACI got a license?

19       A.     No. Obviously ACI's real competitors would be harmed because there was a new  
20           entrant in the market. This is not harm however, it is competition.

1           There are three primary categories of customers which will exist if ACI is granted a  
2           license to provide basic local exchange service in Michigan. One would be those  
3           customers that elect to have non-ACI providers for both toll and local services. The  
4           second would be those customers who elect to have ACI provide toll and local service.  
5           Finally there would be those who elect to have a non-ACI toll provider and Ameritech  
6           Michigan provide local service. I believe the impact on the public interest should be  
7           measured by impact on the third group of customers--Ameritech Michigan local service  
8           customers.

9       Q.     What would you consider not contrary to the interests of those customers?

10    A.     Simply that group of customers should be no worse off in terms of service, price,  
11           quality and new product availability than they would have been absent the licensing of  
12           ACI.

13    Q.     Would you expand on this concept?

14    A.     The Commission could issue a license for ACI with certain conditions. The conditions  
15           must include the traditional service requirements such as 911, directories, etc.  
16           The Commission must also recognize the distinct possibility that ACI as a subsidiary  
17           may cease to exist in three years. ACI should be permitted to provide local service  
18           solely through resale. Should ACI be permitted to build facilities which duplicate  
19           Ameritech Michigan facilities and ACI ultimately becomes an Ameritech business unit  
20           rather than a subsidiary, the captive customers will be burdened with redundant

1 facilities and costs. Additionally, during the interim three year period, if two  
2 subsidiaries are required to compete for available corporate funding for the provision  
3 and enhancement of the same basic local exchange service, the Ameritech Michigan  
4 captive customers are likely to be the losers. Competing for other corporate resources  
5 may occur as well.

6 Q. What about the protection existing in the federal Telecommunications Act of 1996?

7 A. I do not believe the Commission is required to, nor is it good regulatory policy for the  
8 Commission to order or require that a licensee obey the law. Legal behavior is  
9 expected!

10 Unfortunately the record in this case points out the Commission cannot rely on  
11 structural safeguards alone. For example on T-174 and in CCAC0060 Dr. Teese  
12 admits he relied on confidential information related to the location of U. S. Signal's  
13 network which he received from Ameritech to develop his testimony as a witness for  
14 ACI. Additionally Bill Cole of ACI was previously responsible for the central office  
15 provisioning for Ameritech. He now is in the employ of ACI. He certainly brings  
16 network information about ACI's competitor-Ameritech Michigan with him. The  
17 hearing in this case is another example. Attorneys Amy Clark and Daniel Demlow  
18 represent ACI one day and Ameritech Michigan the next. This would surely result in  
19 the spill over of the complexities of the telecommunications industry and possibly  
20 confidential knowledge simply by the very nature of the positions these two persons

1 occupy in the organization, not by any illegal action. In short, the federal safeguards  
2 may be inadequate to prevent Ameritech from using its monopoly or at least dominant  
3 position in a manner contrary to the public interest without additional protection.

4 Q. Do you believe the Commission should deny ACI's application for a license at this  
5 time?

6 A. Not necessarily. If the Commission grants ACI a license, the Commission should do  
7 so with the awareness that doing so will not produce immediate one stop shopping.  
8 Ameritech must first be granted permission to provide interLATA service. Any  
9 protection associated with requirements for structural separation of ACI from its  
10 affiliates for the provision of interLATA toll services may disappear within three years.  
11 Further, Ameritech cannot jointly market local and toll services at all until it is granted  
12 permission to provide toll service. When it is permitted to provide toll service, it  
13 appears Ameritech could jointly market the toll of ACI with the local service of  
14 Ameritech Michigan so there is no necessity to grant ACI a license even then. Finally,  
15 even if Ameritech wishes to provide local service out of the same subsidiary as its toll  
16 service, the requirement for a separate subsidiary may disappear in as little as three  
17 years. Both local and toll could then be provided by Ameritech Michigan.

18 Q. Do you have any additional concerns about ACT's application?

19 A. Yes. In Exhibit S-40, a discovery question and response concerning whether ACI  
20 would attempt to designate itself as a provider with less than 250,000 end users in the

1 State of Michigan, the company refused to respond. Staff believes ACI should not  
2 escape the requirements of PA 179 as amended by claiming it is a provider with fewer  
3 than 250,000 access lines or end users. Staff therefore recommends, that if this  
4 Commission opts to issue a license to ACI, it should do so with the condition that for  
5 the purposes of PA 179 as amended ACI would not be considered a provider with less  
6 than 250,000 access lines on end users.

7 Q. Would you please summarize the Staff position?

8 A. Of course. In considering whether ACI should be granted a license, I believe the  
9 Commission should first assess whether the license is needed now or at all. The  
10 Commission must determine whether ACI has successfully fulfilled the requirement of  
11 showing it has the necessary financial, managerial and technical resources required for  
12 licensing in Michigan. Finally the Commission must satisfy itself that licensing ACI  
13 would not be contrary to the public interest.

14 Staff believes to minimize the possibility of adverse impact to the public interest, the  
15 Commission could do one of the following:

- 16 1. Issue a license to ACI containing the traditional requirements with an  
17 effective date coincident with ACI's entry into the Michigan interLATA  
18 toll market.
- 19 2. Issue a license to ACI containing the traditional requirements, effective  
20 coincident with ACI's entry into the Michigan interLATA toll market

1                   and effective only as long as the separate subsidiary requirement exists  
2                   for the provision of interLATA toll service. At the time the separate  
3                   subsidiary requirement is removed, Ameritech will have to agree to  
4                   surrender the license to provide basic local exchange service in Michigan  
5                   for either ACI or Ameritech Michigan.

6                   3.    Issue a license to ACI as in Number 2 above but additionally require that  
7                   basic local exchange service be provided on a resale basis only.

8                   4.    Deny ACI's license request. Joint marketing which could include the  
9                   toll products of ACI with the local service offerings of Ameritech  
10                  Michigan obviates the necessity that ACI provide basic local exchange  
11                  service.

12                  5.    Deny ACI's license request on the basis that ACI has not satisfied the  
13                  requirements of Section 302 of Act 179 as amended.

14    Q.    Does this complete your direct testimony?

15    A.    Yes.

STATE OF MICHIGAN  
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the Matter of the Application )  
of AMERITECH COMMUNICATIONS, INC. )  
for a License to provide Basic Local )  
Exchange Service to Ameritech Michigan and )  
GTE North, Inc., Exchanges in Michigan. )  
\_\_\_\_\_ )

Case No. U-11053

EXHIBITS OF  
WILLIAM J. CELIO, P.E.  
ON BEHALF OF  
THE MICHIGAN PUBLIC SERVICE COMMISSION STAFF



PR 4/11/96 4:44 PM

## AMERITECH ONE STEP CLOSER TO PROVIDING LONG DISTANCE IN ILLINOIS

CHICAGO, April 11 /PRNewswire/ -- Illinois consumers are one step closer to getting both their long-distance and local phone service from Ameritech.

The company's long-distance subsidiary, Ameritech Communications, Inc., received a hearing schedule today on their pleading filed with the Illinois Commerce Commission in Springfield to request certification to provide long-distance to all Illinois consumers and businesses and local service to consumers in Ameritech, GTE and Centel franchise areas. As a separate subsidiary of Ameritech, Ameritech Communications is required by law to obtain ICC approval to offer both local and long-distance service in Illinois.

Approval from the ICC would allow Ameritech Communications to offer customized packages of local, long-distance and cellular communications services to all Illinois residents and businesses, after it meets the provisions of the recently enacted federal Telecommunications Act of 1996.

Ameritech expects to provide Illinois residents long-distance service by the first quarter of 1997.

"Our customers have told us they want the option of having a single company provide them with all their communications needs," said Steve Nowick, president of Ameritech Communications, Inc.

"Obtaining certification from the ICC is a critical first-step in meeting our customers' needs for one-stop shopping that combines local and long-distance service."

"This request simply brings us closer to being on equal competitive footing with other communications providers who already have this authority," he added.

Once it has the necessary regulatory approvals, Ameritech Communications plans to purchase local service from Ameritech, package it with its own long-distance service, and resell the combined services to Ameritech customers.

Ameritech's own long-distance network will serve customers in its five-state region. Ameritech announced in February that it will use WorldCom, Inc. to complete long-distance calls outside the Ameritech region.

Ameritech has been providing cellular long-distance service in its region for the past six weeks, under provisions of the new federal telecommunications law. To date, the company has signed up more than 300,000 customers for its cellular long-distance service.

"After we receive the go-ahead to provide landline long-distance service, we will price competitively and offer customers the benefits of full-service communications packages, such as local, long-distance, wireless and possibly security monitoring, cable TV and others," Nowick said.

"Ameritech will be a refreshing alternative to the 'Big Three' long-distance companies that currently operate as a cozy cartel. They control 90 percent of the market and raise prices in lockstep -- at least seven times since 1990. That's not competition and it's not benefiting consumers," Nowick added.

In fact, industry research shows two out of three current long-distance customers are paying full price for every call they make. As a result, the Big Three are charging two-thirds of their customers at non-discount prices.

Unlike many of the confusing calling plans offered by the 'Big Three,' Ameritech said it will offer long-distance plans that are easy to understand and offer real value.

Under the Telecommunications Act of 1996, companies such as Ameritech must provide long-distance service through a separate subsidiary. Ameritech Communications, Inc., created by Ameritech in 1994, is required to obtain ICC approval to operate as a provider of local and long-distance service in Illinois because it is a separate and distinct company from Ameritech. Ameritech Communications will start out in business with no existing customers, no market share and no customer information from Ameritech.

Ameritech, one of the world's largest communications companies, helps more than 13 million customers keep in touch. The company provides a wide array of local phone, data and video services in

Illinois, Indiana, Michigan, Ohio and Wisconsin. Ameritech is creating dozens of new information, entertainment and interactive services for homes, businesses, and governments around the world.

One of the world's leading cellular companies, Ameritech serves more than 1.9 million cellular and 750,000 paging customers and holds cellular interests in China, Norway and Poland. Ameritech owns interests in telephone companies in New Zealand and Hungary and in business directories in Germany and other countries. Nearly 1 million investors hold Ameritech (NYSE: AIT) shares.

-0- 4/11/96

/CONTACT: Marybeth Johnson of Ameritech, 312-750-5574; marybeth.johnson@ameritech.com/

/The Ameritech logo is available via Wieck Photo Database, 214-392-0888./

(AIT)

CO: Ameritech ST: Illinois IN: TLS SU: PDT

Case No. U-11053  
Exhibit S- (WJC-1)  
page 1 of 2

Copyright 1996 PR Newswire. All rights reserved

STATE OF MICHIGAN  
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the Matter of the Application of )  
AMERITECH COMMUNICATIONS, INC. )  
for a License to Provide Basic )  
Local Exchange Service to Ameritech )  
Michigan and GTE North, Inc. )  
Exchanges in Michigan )  
\_\_\_\_\_ )

Case No. U-11053

**INITIAL BRIEF OF  
TCG DETROIT, INC.**

TCG Detroit, Inc.

By Its Attorneys  
CLARK HILL P.L.C.

Roderick S. Coy (P12290)  
Stewart A. Binke (P47149)  
200 N. Capitol Ave., Ste. 600  
Lansing, MI 48933  
(517) 484-4481

Douglas W. Trabaris  
233 S. Wacker Dr., Ste. 2100  
Chicago, IL 60606  
(312) 705-9829

Dated: June 17, 1996

## TABLE OF CONTENTS

Introduction .....	1
Argument .....	4
I.    THE EVIDENCE IN THIS CASE SHOWS THAT AMERITECH COMMUNICATIONS' APPLICATION FOR A LICENSE IS TO OBTAIN A VEHICLE IN WHICH TO CIRCUMVENT COMPETITIVE SAFEGUARDS IN PROVIDING INTER-LATA SERVICE RATHER THAN A GENUINE DESIRE TO PROVIDE BASIC LOCAL EXCHANGE SERVICE .....	4
II.   AMERITECH COMMUNICATIONS' AFFILIATE RELATIONSHIP WITH AMERITECH RAISES SERIOUS CONCERNS AS TO WHETHER GRANTING A LICENSE TO AMERITECH COMMUNICATIONS FOR BASIC LOCAL EXCHANGE SERVICE MAY BE CONTRARY TO THE PUBLIC INTEREST .....	10
A.   Ameritech Communications Has Failed to Demonstrate That the Structural Separation and Other Statutory Requirements Alone Will Be Sufficient to Protect Consumers Against Affiliate Abuse Or to Ensure the Growth of Competition .....	12
B.   Despite the Existence of the Structural Separation Requirements Embodied in the FTA and MTA, Ameritech Communications, Ameritech Michigan and Their Affiliates Can Still Undertake Anti-competitive Behavior to Gain an Unfair Competitive Advantage in the Market for Local Exchange Service .....	14
1.   There is a significant potential for cross-subsidization by Ameritech of its affiliate Ameritech Communications .....	15
2.   There is a significant potential that Ameritech Michigan in providing services will discriminate in favor of its affiliate Ameritech Communications over other competitors .....	19
3.   There is a significant potential for Ameritech to use its monopoly leverage to exploit market segmentation and impede competition. ....	20
Conclusion and Request for Relief .....	27

STATE OF MICHIGAN  
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the Matter of the Application of )  
AMERITECH COMMUNICATIONS, INC. )  
for a License to Provide Basic )  
Local Exchange Service to Ameritech )  
Michigan and GTE North, Inc. )  
Exchanges in Michigan )

---

Case No. U-11053

**INITIAL BRIEF OF  
TCG DETROIT, INC.**

TCG Detroit, Inc. ("TCG") submits this Initial Brief in accordance with the briefing schedule established by the Administrative Law Judge in this proceeding regarding the application of Ameritech Communications, Inc. ("Ameritech Communications") for a license to provide basic local exchange service to Ameritech Michigan and GTE North, Inc. exchanges. In support of its Initial Brief, TCG states as follows:

**Introduction**

On March 1, 1996, Ameritech Communications, purportedly pursuant to sections 301, 302 and 303 of the Michigan Telecommunications Act ("MTA")<sup>1</sup>, filed its application for a license to provide basic local exchange service to the exchanges currently served solely by Ameritech Michigan and GTE North, Inc, respectively. Ameritech Communications asserts in its application that it will provide such basic local exchange service on a resold basis, and may eventually start operating as a

---

<sup>1</sup>Being MCL 484.2301, 484.2301 and 484.2303, respectively.

facilities-based local exchange carrier (LEC) when it becomes "economically justifiable." ¶ 5 of *Application* Ameritech Communications also states that its request for a license to provide basic local exchange service in these exchanges is part of its plans to offer its customers "one-stop shopping" service, so as to allow customers to receive bundled local, long distance and other services.

¶ 4 of *Application*

The application by Ameritech Communications for certification to provide basic local exchange service presents to the Michigan Public Service Commission ("Commission") a novel case which requires very careful and skeptical scrutiny by the Commission. This application is the first case in Michigan in which an affiliate of the incumbent monopoly provider of local exchange services seeks certification to provide the same such services as the monopoly provider. Ameritech Communications, Inc. is a wholly-owned subsidiary of Ameritech Corporation ("Ameritech"), which is also the parent company of Ameritech Michigan. Ameritech Michigan has been the monopoly provider of basic local exchange service in its service territories for almost a century.

Ameritech Communications states in Paragraph 18 of its application that Ameritech Communications was formed to provide interLATA telecommunications services in anticipation that it would be allowed to do so under the terms of a proposed order filed by the U.S. Department of Justice or under then pending federal legislation. Ameritech Communications asserts that the resulting legislation, the Federal Telecommunications Act of 1996 ("FTA"), enables it as a "separate" affiliate of Ameritech Michigan, a Regional Bell Operating Company ("RBOC"), to render interLATA service subject to certain structural and transactional requirements. ¶¶ 18 and 19 of *Application* Ameritech further asserts that it is seeking authority from the Commission to provide basic local exchange service so that it may develop and offer integrated packages of long distance and

local services, i.e. "one-stop shopping", once it has obtained approval pursuant to the FTA Telecommunications Act. 4 Tr 550-552 Ameritech Communications and its affiliate Ameritech Michigan then contend in their presentations in this case that Ameritech has satisfied these requirements and that the mere existence of these requirements, as it intends to comply with these requirements, is sufficient to protect consumers and ensure the growth of competition in the State. 3 Tr 275 However, as will be more fully explained below, even the record evidence available in this case demonstrates that Ameritech Michigan has not met the structural separation requirements embodied in the FTA,<sup>2</sup> that the mere existence of a separate affiliate or the litany of structural separation requirements contained in the FTA are not sufficient to "protect customers and the growth of competition" and that in a situation such as the one in this case in which numerous affiliates exist, there is an increased probability that the parent monopoly would engage in anti-competitive behavior in order to obtain an uncompetitive advantage for its affiliate and subsidiary entities.

The paucity of information provided by Ameritech in this case raises more questions regarding its likely market behavior than it answers and clearly does not adequately address these potential anti-competitive concerns and, indeed, heightens such concerns. Therefore, it is critical that the Commission skeptically scrutinize Ameritech Communications' application in this case, looking beyond its statements of its purported compliance with the various statutory affiliate requirements, and require that the information necessary for the Commission to properly evaluate and address these affiliate and anti-competitive concerns before it decides whether this is even a real application for a license for basic local exchange service, or simply a vehicle to circumvent competitive safeguards.

---

<sup>2</sup>This was not an appropriate issue here in a licensing case under state law.

Since TCG-Detroit is so firmly committed to fair competition in the local exchange, it is naturally very reluctant to oppose any legitimate application for a license. However, this case is so transparent and unsupported it demonstrates the exception. This application for a license if granted is more likely to restrain competition and increase monopolization than the opposite. This application, it seems, is not a legitimate request to provide basic local exchange service, since Ameritech obviously already possesses that authority. For reasons set forth below, TCG-Detroit feels one license in the basic local exchange market for Ameritech is enough, and it opposes this second one.

#### Argument

**I. THE EVIDENCE IN THIS CASE SHOWS THAT AMERITECH COMMUNICATIONS' APPLICATION FOR A LICENSE IS TO OBTAIN A VEHICLE IN WHICH TO CIRCUMVENT COMPETITIVE SAFEGUARDS IN PROVIDING INTER-LATA SERVICE RATHER THAN A GENUINE DESIRE TO PROVIDE BASIC LOCAL EXCHANGE SERVICE**

Ameritech Communications represents in its Application in this case that it desires a license to provide basic local exchange service in Ameritech Michigan and GTE North's exchanges in Michigan and authority to provide basic local exchange services on a resold basis. ¶ 3 of Application Ameritech Communications then indicates that it plans to offer its customers "full service" options and provide "one-stop shopping" service which would include long distance, local and other services. ¶ 4 of Application Cross-examination of Ameritech's witnesses in this proceeding, however, makes Ameritech's real objective in requesting a license in this case more transparent. Ameritech's real intentions with respect to its request for a license in this case apparently are related less to a desire to provide local exchange service, and related more to an attempt to circumvent the statutory



competitive safeguards for affiliates of incumbent monopoly Regional Bell Operating Companies (RBOC) in connection with the provision of interLATA services.

The federal Telecommunications Act of 1996 authorizes a regional bell holding company to offer interLATA long distance services both within and outside of their respective regions, provided that the regional bell holding company complies with certain items contained on a so-called "competitive checklist" set forth in Section 151 of the Act. *47 USC § 271* In its direct presentation in this proceeding, Ameritech Communications attempts to demonstrate that its operating and corporate relationships with Ameritech and Ameritech Michigan, in connection with its purported desire to provide basic local exchange services and "one-stop shopping" phone service, comply with the requirements contained in the "competitive checklist" of Section 151 of the federal Act<sup>3</sup> with respect to the provision of interLATA service. In doing so, Ameritech Communications' true desire appears to be to have the Commission, give, implicitly through the grant of a license to provide local exchange service, an imprimatur that Ameritech has complied with the "competitive checklist" of the FTA so as to enable it to then obtain approval to provide interLATA long distance service. Cross-examination of Ameritech Communications' witnesses demonstrate the true intentions for the request for a license in this case.

For example, Ameritech's own witness David Teece admits that the real focus of Ameritech Communications' competitive interests lie in the market for long distance services and not local exchange service. Upon cross-examination Mr. Teece testified:

Q. You would agree, also, that ACI since it's competing with Ameritech Michigan for at least some business also should not have access to certain information; correct?

---

<sup>3</sup>47 USC § 271